

NOTE FOR WEDNESDAY MEETING

MARKETS: 10 FEBRUARY TO 16 FEBRUARY 1982

MONEY

The week began with a small surplus but conditions then tightened until Tuesday when the shortage was comparatively modest. Once again the factor chiefly responsible for the shortages was the maturing of bills in the Bank's hands although the increase in note circulation on Friday and an adverse Exchequer position on Monday made important contributions on those days. A factor in the market's favour on Monday was the redemption of 3% Treasury 1982.

The Bank sold a small amount of Treasury bills on Wednesday to absorb the surplus funds. On the other days assistance was provided by the outright purchase of Treasury, local authority and bank bills.

Interbank rates were steady to slightly easier before the weekend as the market awaited the announcement of the weekly US money supply figures. The rates opened firmer on Monday in response to the disappointing statistics but eased back slightly on Tuesday as sterling continued its strong performance on the foreign exchanges. Both the three-month and the seven-day interbank rates were unchanged over the week as a whole at 14 11/16% and 14 5/16% respectively.

Eurosterling rates showed slightly more movement from day to day than domestic rates but remained within a very narrow band. The three-month rate also showed no net change over the week, ending at 14 11/16%.

At the Treasury bill tender on Friday the discount houses did not bid against each other and the average rate of discount rose by 0.2163 to 13.7844%.



## LOCAL AUTHORITY BORROWING

The rate for one year bonds fell by  $1/8\%$  to  $14\ 1/8\%$ . Issues amounted to £13 mn (£10.5 mn last week) against maturities of £12.75 mn.

## GILTS

The pattern of recent weeks continued: firmness prior to the weekend (taking the market to a new seven-month high as measured by the FT index) followed by a reaction to the latest disappointing US money figures. However, the market continued to show its underlying resilience yesterday by losing little ground as Wall Street opened sharply lower after its holiday.

Wednesday saw a revival of confidence after the decline on Tuesday afternoon following publication of the January banking figures. After closing about  $5/8$  higher in all sections, the market improved further in after-hour trading after indications of a calm attitude on the part of the Federal Reserve to the January bulge in US  $M_1$ . Conditions became quite firm the following day - though without much volume - and it was possible to sell some of the 1987 tap at  $20\ 1/8$  (20-paid). The untapped long end moved ahead to record gains of up to  $1\ 1/4$ , while some interest was also shown in the indexed stocks: a small amount of IG3 was sold at  $35\ 3/4$  (35-paid). The FT Government Securities Index ended the day at 65.34, its highest level since 3 July 1981. The market as a whole reacted on Friday to the weakness of sterling, but low coupon stocks attracted some specialist demand ahead of Monday's redemption of 3% Treasury 1982.

After the weekend, trading was dull on Monday as the market awaited Wall Street's reaction to the latest rise in US  $M_1$ , when it reopened on Tuesday after its holiday. Prices generally lost up to  $3/8$ , but the low coupon shorts were in continued demand, enabling small official sales to be made. Yesterday, the market remained subdued and early support quickly evaporated; but prices held up well in the face of a sharply lower opening in US bonds and shorts ended with rises of up to  $1/8$  with longs broadly unchanged.



Over the week as a whole, prices of shorts rose by  $3/4-1\ 1/4$  (to yield  $15\ 1/4-15\ 1/2\%$  on five-year maturities) while longs rose by around  $1\ 1/4$  (to yield  $15-15\ 1/4\%$  on 20-year maturities).

#### EQUITIES

After a good start, the market fell back in quiet trading with the latest US money figures the main adverse influence.

Helped by a good opening on Wall Street, the market rallied strongly on Wednesday, the FT 30-share Index ending 10.5 higher. No follow-through occurred on Thursday and prices drifted slightly lower; the main feature was the announcement of the Amersham offer for sale (50 mn shares at 142p each, giving a p/e ratio of 19 on a fully-taxed basis). Trading remained subdued on Friday.

After the weekend, and at the start of a new account, prices were marked down at Monday's opening in the wake of the latest rise in US money supply. A tentative recovery was stifled by the latest industrial production figures and the Index ended 7.2 lower. After holding up well initially yesterday, further losses occurred as Wall Street came in lower in the afternoon and the Index finished a further 6.9 down at 557.2 a fall of 6.0 over the week. The more broadly based FT 500 Share Index (industrials and oils) closed at 341.79, down 1.96 points over the week.

#### NEW ISSUES

##### Queue

Activity has picked up in recent days and the queue is now quite full for some weeks ahead. Seven new issues of £10 mn or more were added this week. These include an issue of £80 mn by Argyll Foods Ltd and rights issues by Lonrho (£20 mn), Hill Samuel Group (£15 mn) and BSR (£20 mn). The queue now totals £1,049 against £934 mn last week. A number of large rights issues are known to be in the offing but are not yet included in this week's figures.

(Init EAJG)

17 February 1982



Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases - )

1. Transactions (cash value)

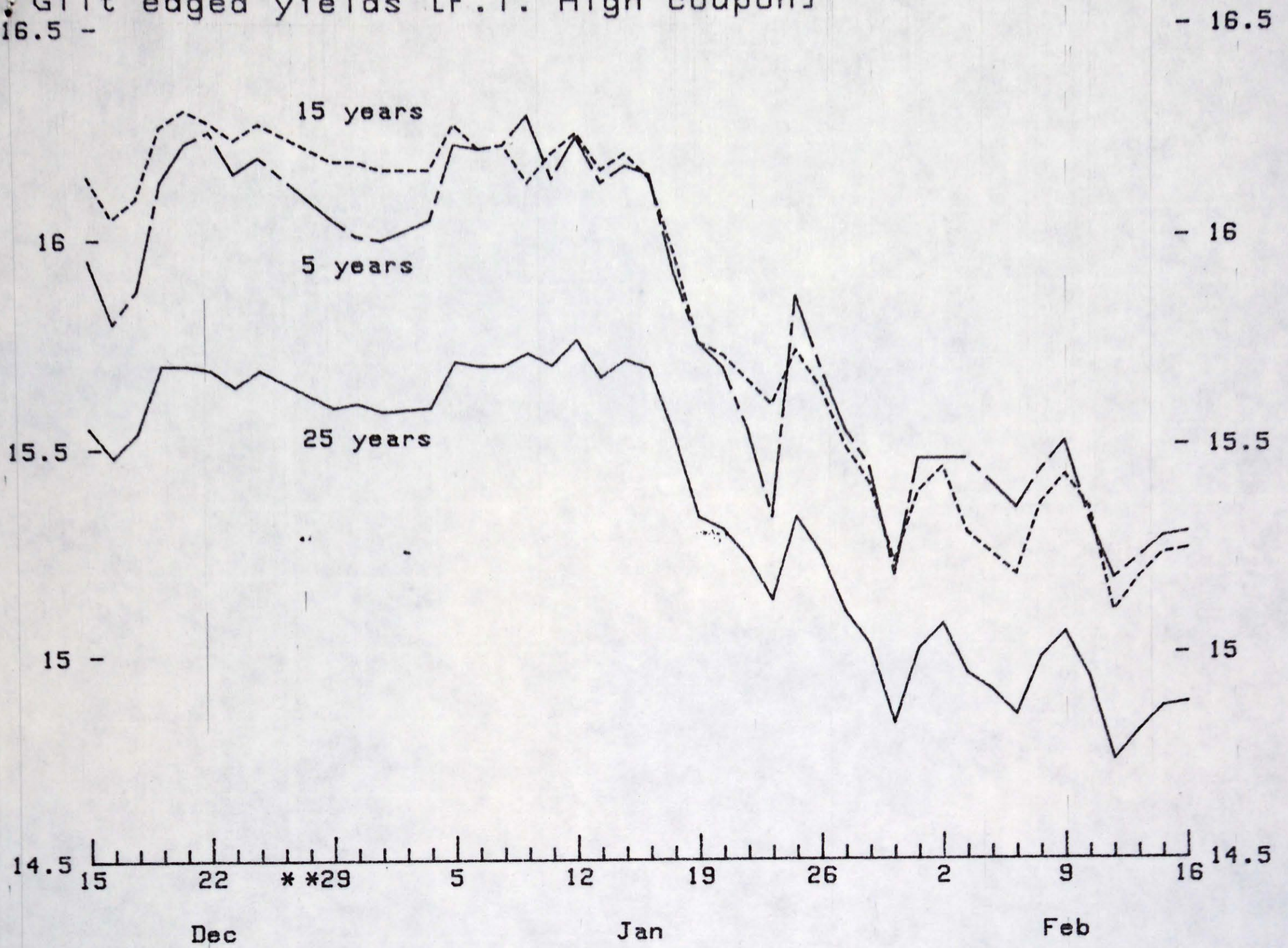
	9. 2.82 <u>-16. 2.82</u>	<u>Cal Qtr</u> <u>to date</u>	<u>Fin Year</u> <u>to date</u>	<u>18.2.81</u> <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	-	- 249	- 2,463	- 2,883
Other short-dated	+ 10	+ 702	+ 2,950	+ 3,441
	+ 10	+ 453	+ 487	+ 558
Mediums	+ 8	+ 351	+ 2,770	+ 3,503
Longs and undated	+ 23	+ 105	+ 3,353	+ 4,392
Total Issue				
Department trans- actions	+ 41	+ 909	+ 6,610	+ 8,453
CRND	+ 18	+ 251	+ 528	+ 578
Redemptions	- 173	- 418	- 1,646	- 1,741
	<u>- 114</u>	<u>+ 742</u>	<u>+ 5,492</u>	<u>+ 7,290</u>

2. Redemption Yields (tax ignored)

	<u>9 February</u>	<u>16 February</u>	<u>Change</u>
12% Treasury 1983	14.34	14.10	-0.24
15% Treasury 1985	15.12	14.88	-0.24
12% Treasury 1987	15.75	15.46	-0.29
11 3/4% Treasury 1991	15.69	15.48	-0.21
13 1/2% Treasury 1994	15.66	15.49	-0.17
2% Index-Linked			
Treasury 1996	3.28	3.30	+0.02
12 1/4% Exchequer 1999	15.23	15.05	-0.18
14% Treasury 1998/01	15.38	15.21	-0.17
12% Exchequer 2013/17	14.25	14.06	-0.19
3 1/2% War Loan (Flat Yield)	12.93	12.91	-0.02



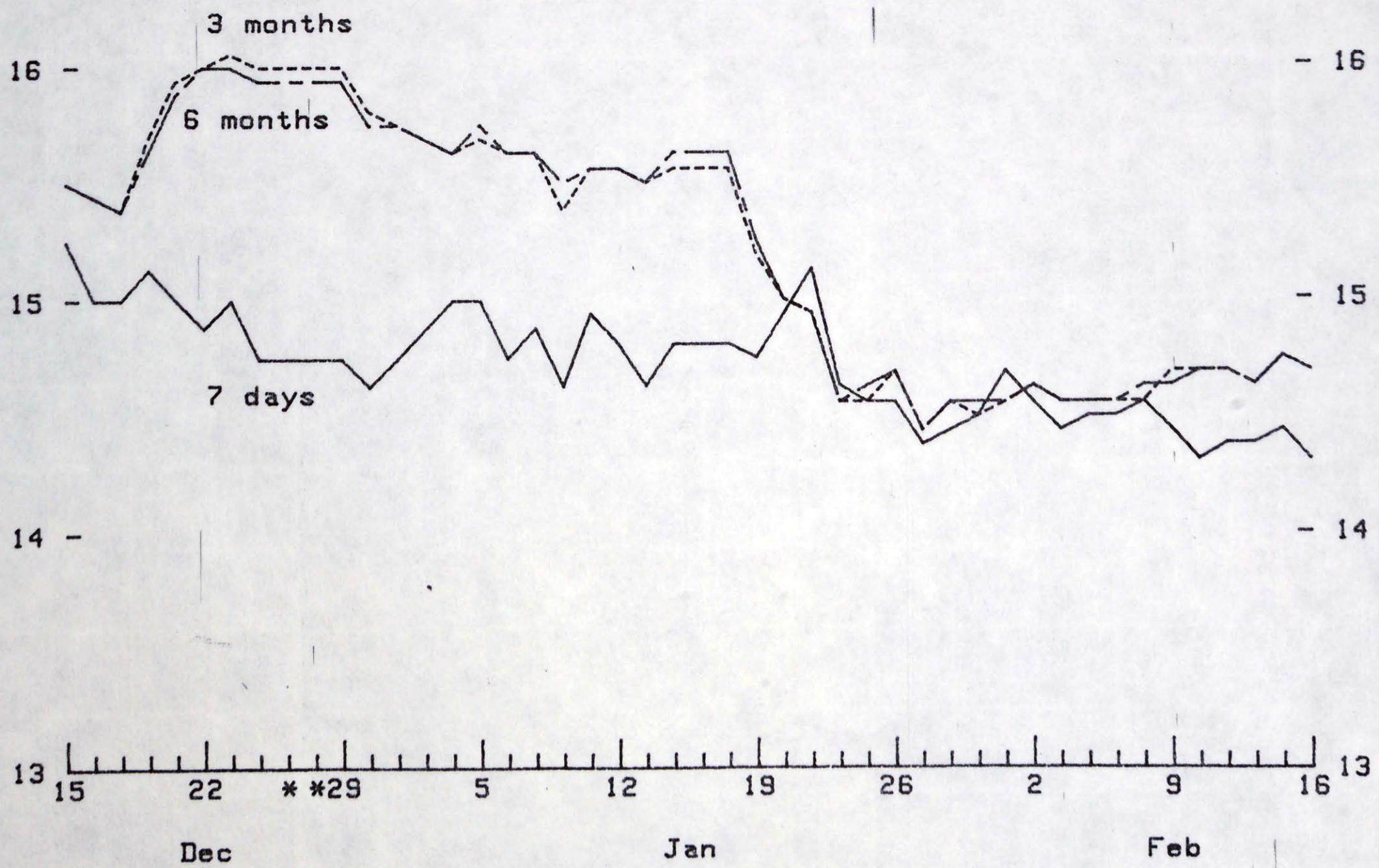
Gilt edged yields [F.T. High coupon]



Interbank rates

17 -

Yields  
- 17



\* Bank Holiday



SECRET

£ millions

NEW ISSUES

Other loan stock\*

	<u>Equities</u>	<u>Convertible loan stock</u>	<u>Domestic borrowers</u>	<u>Foreign borrowers</u>
TOTAL QUEUE <sup>o</sup>	<u>885</u>	<u>-</u>	<u>14</u>	<u>150</u>
Of which issues of 10 or more:				
Current week (17/2-19/2)				
Week 2 (22/2-26/2)	Lonrho Ltd (rights) (23/2)                      20			Trans-Canada Pipeline (22/2)                      50
Week 3 (1-5/3)	Ultramar Company Ltd (rights) (3/3)                      100			
Week 4 (8/3-12/3)	The Bowater Corporation Ltd (rights) (11/3)                      80			
Week 5 (15/3-19/3)	Cement-Roadstone Holdings Ltd (rights) (15/3)                      30 Norsk Data AS** (offer for sale) (17/3)                      10			EIB (offer for sale) (late March)              100
Week 6 (22/3-26/3)	Queens Moat Houses Ltd (rights) (22/3)                      20 Drayton Montagu Japan Trust (offer for sale) (23/3)                      15 Vickers Ltd (rights) (24/3)                      35 American Oil Field Systems (offer for sale?) (25/3)                      12			
Week 7 (29/3-2/4)	Burnett & Hallamshire Holdings Ltd (rights) (31/3)                      20			



SECRET

Forthcoming

The Hammerson Property & Investment Trust Ltd (rights) (6/4)	70
Coloroll Ltd (offer for sale) (14/4)	15
Carless Capel & Leonard Ltd (rights) (21/4)	15
Argyll Foods Ltd (offer for sale?) (6/5)	80
Marinex Petroleum (rights) (18/5)	15
BSR Ltd (rights) (19/5)	20
Gas & Oil Acreage Ltd (rights) (9/6)	13
Hill Samuel Group Ltd (rights) 10/6)	15
Powell Duffryn Ltd (rights) (23/6)	20
Aberdeen American Petroleum Co Ltd (offer for sale) (24/6)	20
British Transport Docks Board (offer for sale) (28/6-2/7?)	50
Superdrug Stores Ltd (offer for sale) (9/7)	10
Dowty Group Ltd (rights) (20/7)	50
Lloyds Bank Ltd (rights) (27/7)	100

The South Staffordshire Waterworks Co. (offer for sale) (14/7)	10
--	----

Memorandum

		<u>Equities</u>	<u>Loan Stock*</u>
Issues announced: †	1979	946	162
	1980	1,066	364
	1981	1,835	626
	1982 to date	157	111
Issues completed: † (ie gross amounts of cash raised)	1979	979	150
	1980	945	358
	1981	1,720	561
	1982 to date	128	26

\*Includes preference shares  
 †Includes issues of 3 or more  
 ‡Includes issues of less than 3  
 \*\*Foreign borrower

17 February 1982